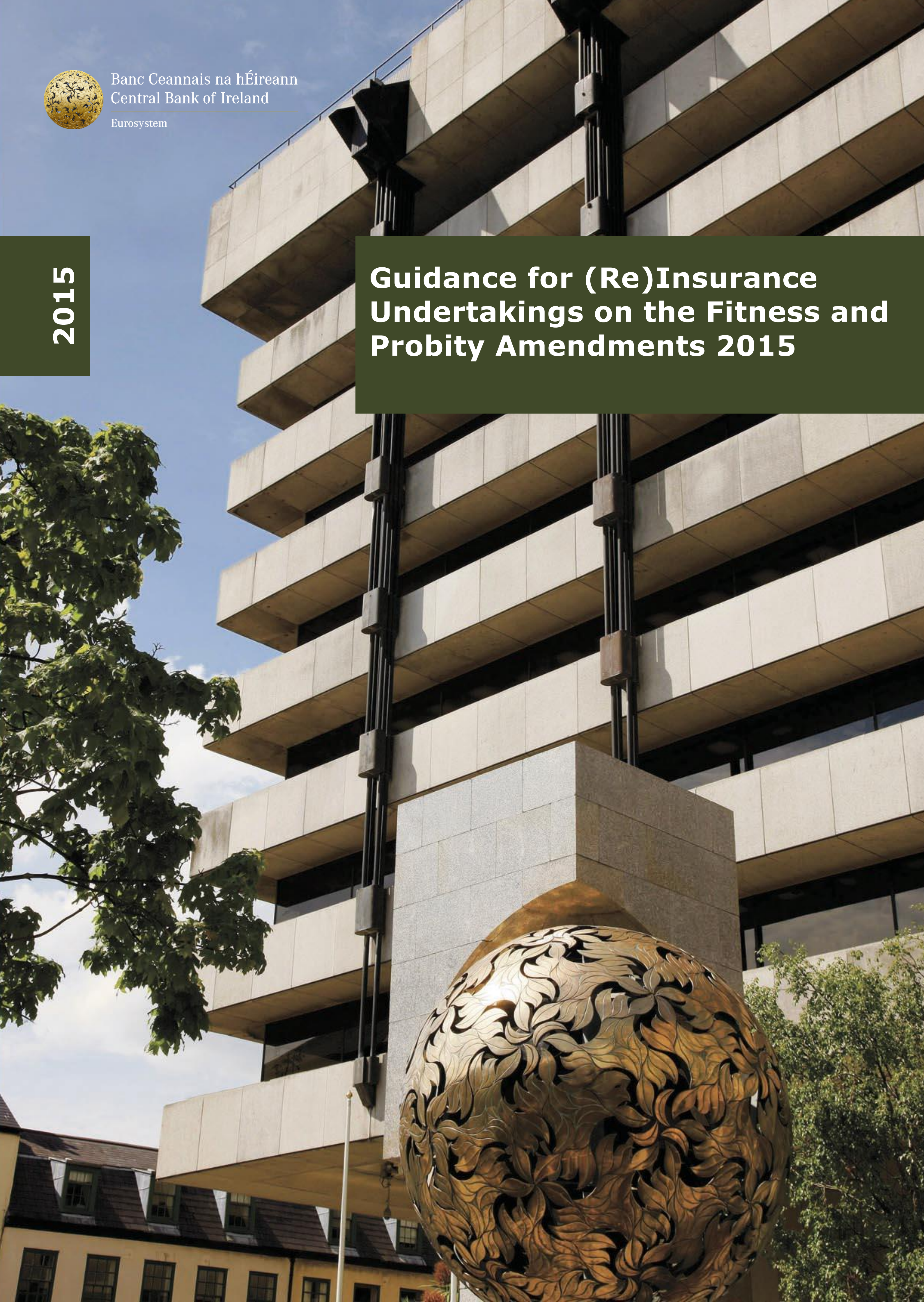
Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

2015

Guidance for (Re)Insurance Undertakings on the Fitness and Probity Amendments 2015



Contents

1. Background

1.1 Part 3 of the Central Bank Reform Act 2010 ("the Act") provides that a person performing a controlled function ("CF") in a regulated financial service provider[1] must have a level of fitness and probity appropriate to the performance of that particular function.

1.2 The Central Bank of Ireland (the "Central Bank") also has the power to prescribe a subset of CFs as functions for which the prior approval of the Central Bank is required before a person can be appointed. These are called pre-approval controlled functions ("PCFs"). The Central Bank published S.I. No 437 of 2011 on 1 September 2011, S.I. No 615 of 2011 on 30 November 2011, S.I. No 394 of 2014 prescribing particular functions as CFs and PCFs.

1.3 On 2 December 2015, the Deputy Governor on behalf of the Central Bank signed S.I. No 545 of 2015 (the "Amending Regulations") prescribing 1 further PCF, PCF48 [Head of Actuarial Function], and removing 2 existing PCFs [PCF20 Chief Actuary and PCF44 Signing Actuary] in relation to (re)insurance undertakings.

1.4 Section 21 of the Act provides that a regulated financial service provider shall not permit a person to perform a CF unless:

(i) the regulated financial service provider is satisfied on reasonable grounds that the person complies with any standard of fitness and probity issued pursuant to Section 50 of the Act (i.e. the Standards); and
(ii) the person has agreed to abide by any such Standard.

1.5 Failure to comply with Section 21 of the Act is a prescribed contravention for the purposes of Part III C of the Central Bank Act 1942.

1.6 The Central Bank has a range of powers available to it to investigate, suspend, remove or prohibit individuals from CFs in the financial services industry where concerns arise about their fitness and probity. Those powers are set out in Part 3, Chapters 3 and 4 of the Act.

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[1] Regulated financial service provider is defined in Section 2 of the Central Bank Act 1942, however, this Guidance applies to (re)insurance undertakings as defined by Regulation 3 of Solvency II (European Union (Insurance and Reinsurance) Regulations 2015 S.I. 485 of 2015).

2. Purpose and effect of this guidance

2.1 The primary purpose of this guidance is to assist (re)insurance undertakings in complying with their obligations being brought in by the Amending Regulation S.I. 545 2015 and Solvency II (European Union (Insurance and Reinsurance) Regulations 2015 S.I. 485 of 2015).

2.2 The (re)insurance undertaking is obliged, pursuant to Section 21 of the Act, to satisfy itself on reasonable grounds that the person is compliant with the Fitness and Probity Standards ("the Standards"). Please refer to the Guidance on Fitness and Probity Standards 2015 ("the 2015 Guidance") for further information on the nature of the obligations imposed by the Standards and the due diligence that is expected to be undertaken by (re)insurance undertakings to satisfy these obligations.

2.3 Nothing in this guidance may be construed so as to constrain the Central Bank from taking action, where it deems it to be appropriate, in respect of any suspected prescribed contravention which comes to its attention.

2.4 This guidance also includes the Central Bank's expectations on (re)insurance undertaking's establishment of key functions and implementation of certain system of governance requirements under Solvency II.

2.5 This guidance is not intended to be comprehensive nor to replace or override any legislative provisions or binding code. It should be read in conjunction with Part 3 of the Act and any regulation, code or other legal instrument as the Central Bank may issue from time to time.

2.6 The Central Bank may update or amend this guidance from time to time, as appropriate.

3. Implementation of the Amendments

3.1 Summary of Amendments

The Amending Regulation serves to prescribe 1 new PCF for (re)insurance undertakings PCF48 [Head of Actuarial Function] and remove PCF20 [Chief Actuary] and PCF44 [Signing Actuary] from the list of PCFs prescribed by the Central Bank pursuant to Section 22 of the Act.

3.2 The Regulation

The Amending Regulation will come into effect on 1 January 2016. All proposed appointments to the position of PCF48 [Head of Actuarial Function], on or after 1 January 2016, require the prior written approval of the Central Bank. Details regarding this approval process are set out in Section 8 of the Guidance on Fitness and Probity Standards.

Where an undertaking believes it has an individual performing the role of the Head of Actuarial Function on or before 31 December 2015 then that person will not have to apply for approval upon the commencement of the Amending Regulations on 1 January 2016. The undertaking must, however, carry out the required level of due diligence to fulfil its obligations under Section 21 of the Act, as set out in the 2015 Guidance.

3.3 Notifying the Central Bank of Ireland of persons performing the role of Head of Actuarial Function as of 31 December 2015 ("persons in-situ").

(Re)insurance undertakings are required to submit the details of the person, who as of 31 December 2015, is performing the role of the Head of Actuarial Function. This notification process is outlined in Section 6.

3.4 The removal of PCF20 and PCF44

The Domestic Actuarial Regime and Related Governance Requirements under Solvency II (the "Domestic Actuarial Regime") introduce the requirement for all (re)insurance undertakings to appoint a Head of Actuarial Function ("HoAF"). This role incorporates responsibility for the tasks of the actuarial function as outlined in Article 48 of the Solvency II Directive along with added responsibilities outlined in the Domestic Actuarial Regime. The Central Bank is of the view that the HoAF role is different from the existing Chief Actuary or Signing Actuary role and has additional responsibilities. Therefore, it is not possible to map either "old" role directly onto the "new" role and as such the Central Bank has elected to remove these roles from the list of PCFs prescribed pursuant to Section 20 and 22 of the Act.

4. The Fitness & Probity Regime under Solvency II

4.1 Solvency II Key Functions

Solvency II requires all (re)insurance undertakings to have the four key functions of the system of governance in place (i.e. the risk, compliance, internal audit and actuarial function). Furthermore, under Solvency II, each (re)insurance undertaking is expected to appoint a key function holder with responsibility for each key function of the system of governance. The Central Bank expects that all (re)insurance undertakings will have the following PCFs in place:

Key Function	Key Function Holder
Compliance Function	PCF12- Head of Compliance (and/or PCF15 - Head of Compliance with responsibility for Anti-Money Laundering and Counter Terrorist Financing Legislation)
Internal Audit Function	PCF13 – Head of Internal Audit
Risk Management Function	PCF 14 – Chief Risk Officer
Actuarial Function	PCF 48 – Head of Actuarial Function

4.2 Combining Key Functions

Key functions may be combined with other key functions where the nature, scale and complexity of the undertaking allow, however, persons carrying out the internal audit function must not assume responsibility for any other function. Notwithstanding this, where the nature, scale and complexity of the undertaking permits and the undertaking complies with all conditions set out in Article 271 (2) of the Commission Delegated Regulation (EU) 2015/35, the internal audit function may be combined with another key function.

In smaller and less complex undertakings a number of the key functions may be carried out by a single person or organisational unit. However, in such cases, undertakings must ensure that each key function is operationally independent and that any conflicts of interests are appropriately addressed.

4.3 Fit & Proper reassessment by (re) insurance undertakings

It is the responsibility of individual (re) insurance undertakings to ensure individuals that hold PCF roles remain compliant with the Fitness and Probity Standards to carry out the function(s) in light of Solvency II requirements. Unless, following the undertaking's re-assessment, it is determined that someone should be replaced because they are not considered fit and proper, the Central Bank does not expect formal re-approval for existing PCFs that are currently performing the role, once the undertaking is satisfied that they are fit and proper to perform all relevant responsibilities.

4.4 Outsourcing

Any activity may be outsourced under Solvency II, including all activities related to key functions[2]. For all (re)insurance undertakings - regardless of whether they outsource to a regulated or unregulated service provider - where a key function is outsourced, the undertaking must designate an individual **within the undertaking** with overall responsibility for the key function. This individual is not the key function holder, as in these circumstances, the key function holder will sit within the service provider and have day to day responsibilities for the key function.

This designated individual(s) must be a current PCF holder[3] within the (re)insurance undertaking and possess sufficient knowledge and experience regarding the outsourced key function to be able to challenge the performance and results of the service provider. The level of knowledge required would not need to be as in-depth as that of the key function holder located at the service provider. This designated individual is not required to submit an IQ for their role in relation to the outsourced key function.

Undertakings were requested to notify the Central Bank via their supervisory team of this designated individual responsible for any key functions that are currently outsourced by 1 January 2016.

From 1 January 2016, all (re)insurance undertakings will be required to notify the Central Bank via their supervisory team prior to outsourcing critical or important functions or activities (including key functions) and the information provided must include the identity of this person designated with overall responsibility for the outsourced key function. The form and date of this outsourcing notification will be prescribed by the Central Bank.

Please note that the Fitness & Probity Standards continue to apply, as do any exclusions allowed under Section 1.5. For the avoidance of doubt, where a key function holder is outsourced to a regulated entity and there is a written outsourcing agreement in place, an IQ is not required. However, if a key function holder is outsourced to an unregulated entity, an IQ must be submitted[4].

Under Solvency II, in cases where key functions are outsourced, the Central Bank expects an undertaking to apply fit and proper procedures in assessing the persons employed by the service provider (or sub service provider as relevant) to perform the outsourced key function[5].

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[2] However, the Domestic Actuarial Regime requires that the HoAF must be an employee for (re)insurance undertakings designated as High Impact.
[3] This may be any PCF position within the undertaking, with the exception of INEDs.
[4] See sections 5.2 and 5.3 of the Guidance on Fitness and Probity Standards 2015.
[5] In accordance with Guideline 14 of the EIOPA Guidelines on the System of Governance.

5. The Role of Head of Actuarial Function

5.1 Head of Actuarial Function (PCF48)

Solvency II introduces a range of requirements for the Actuarial Function within undertakings. As such, the Central Bank has introduced a new PCF role, the HoAF, to be responsible for the actuarial function and for the tasks carried out by that function under Solvency II and the requirements of the Domestic Actuarial Regime.

5.2 Due Diligence

Undertakings must comply with their obligations to conduct due diligence on these individuals and ensure that they have agreed to comply with the Fitness & Probity Standards. Due diligence in this regard includes assessing whether they have the relevant experience and competencies for the role (as outlined below).

5.3 Desired Experience

The experience for the HoAF role should demonstrate the capability of fulfilling the requirements of the role in all of the areas below.

Area of Work	Scope
1. Technical Provisions	Demonstrating a strong understanding of reserving in order to be appropriate for this role. In particular, the actuary should be experienced in: Co-ordination of calculation Methodologies & assumptions Data sufficiency & quality Experience analysis Report to the Board on reliability & adequacy
2. Underwriting opinion	Providing an opinion on the undertaking's underwriting policy
3. Reinsurance opinion	Providing an opinion on the adequacy of the undertaking's reinsurance arrangements
4. Risk Management	Contributing to the effective implementation of the risk management system, in particular: i. With regard to risk modelling underlying the calculation of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) ii. Assisting the risk management function in relation to the internal model iii. Contributing to the ORSA process.

5.4 Depth of Experience

It is not necessary for the HoAF to have the same depth of experience in each of the individual areas noted above. However, the Central Bank expects the HoAF to have sufficient experience and seniority in each of the areas noted to be in a position to meaningfully challenge the work of others. Where an undertaking has particular issues in any of the areas listed in section 5.3, the Central Bank would generally expect the HoAF to have an understanding of these areas sufficient to provide meaningful input in relation to them.

5.5 Influence on Decision Making

As well as the experience listed in section 5.3, the Central Bank would also expect the individual to be in a position to demonstrate the ability to influence decision making at a senior level within the undertaking. The HoAF is a key source of expertise on actuarial matters for the Board. The individual should be accountable to the Board. The HoAF should provide guidance to the Board on the selection of key actuarial assumptions and should be capable of influencing Board decisions in key areas of actuarial expertise. The HoAF should also be capable of driving risk awareness and an appropriate risk culture within the undertaking.

5.6 Minimum Competencies for the HoAF PCF role

The HoAF at a minimum should meet the following requirements:

- A member of a recognised actuarial association
- In general, the Central Bank’s expectation is that PCF48 should be carried out by a qualified actuary. In exceptional circumstances a non-qualified actuary that meets all the requirements above may be considered.
- A minimum of five years (within the last ten years) relevant actuarial experience in total, with some experience in each of the areas listed in Section 5.3 above
- A minimum of one year’s recent experience of reserving relevant to the market in which the majority of business is written
- A minimum of one year’s experience of any exotic or specialised type of business written
- Evidence of capability of influencing Board decisions in key areas of actuarial expertise
- Evidence of capability of contributing to driving risk awareness and an appropriate risk culture within the undertaking.
- An employee of the undertaking if it is designated High Impact under PRISM
- Meets general Fitness & Probity requirements

6. In-situ Head of Actuarial Function (PCF48) as of 31 December 2015

6.1 As stated in Section 3.2, persons who occupy the role of Head of Actuarial Function (PCF 48) as of 31 December 2015[6] will be allowed to continue in that role, subject to the in-situ process, and will not require the pre-approval of the Central Bank.

6.2 However, all (re)insurance undertakings will be required to submit the details of the person performing the role of the Head of the Actuarial Function (PCF48) as at 31 December 2015 to the Central Bank, via an In-Situ form available on the Central Bank ONR system, no later than 31 May 2016. Details on the submission format will issue in good time to allow (re)insurance undertakings sufficient time to meet the deadline.

6.3 The In-Situ form will require the Chief Executive Officer to confirm that the (re)insurance undertaking has performed the due diligence set out in Section 5 and the 2015 Guidance in respect of persons performing the role of the Head of Actuarial Function (PCF48) in the (re)insurance undertaking.

6.4 (Re)Insurance undertakings will also be required to confirm that they are satisfied on reasonable grounds that persons performing the role of the Head of Actuarial Function (PCF48) are compliant with the Standards, and that they have obtained those people's written agreement to abide by the Standards.

6.5 This confirmation should be submitted to the Central Bank, via the In-Situ form available on the Central Bank ONR system, from 1 February 2016 and no later than 31 May 2016.

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[6] Undertakings were requested to forward details of the individual who will be in-situ in the HoAF role (performing the role of HoAF on or before the 31 December 2015) to the Central Bank by 30 November 2015. Further to this, the steps outlined in 6.2 – 6.5 must be taken with regard to in-situ HoAF positions.

7. New PCF Head of Actuarial Function after 1 January 2016

7.1 The Amending Regulation will come into effect on 1 January 2016. From this point onwards, (re)insurance undertakings wishing to appoint an individual to the role of the Head of Actuarial Function (PCF48) must receive the Central Bank's prior approval in writing for that appointment. Please refer to section 8 of the 2015 Guidance for further information on this process.

8. Frequently Asked Questions

8.1 What changes are necessary in order to comply with Solvency II requirements?

Solvency II will apply to (re)insurance undertakings from 1 January 2016. The fitness and probity requirements prescribed by the Central Bank pursuant to Section 22 of the Act are being changed by way of an Amending Regulation to include the HoAF as a PCF which will ensure the Central Bank's fitness and probity regime is compliant with Solvency II and the Domestic Actuarial Regime requirements. Please note however, that the F&P Standards are not being amended and continue to apply to all (re)insurance undertakings.

8.2 Are all key function holders (persons responsible for key functions) required to be notified to the Central Bank?

The positions to be notified under Solvency II align to the Central Banks PCF regime as follows:

Key Function	Key Function Holder
Compliance Function	PCF12- Head of Compliance (and/or PCF15 - Head of Compliance with responsibility for Anti-Money Laundering and Counter Terrorist Financing Legislation)
Internal Audit Function	PCF13 – Head of Internal Audit
Risk Management Function	PCF 14 – Chief Risk Officer
Actuarial Function	PCF 48 – Head of Actuarial Function

With regards to the new PCF role, PCF48, HoAF, the in-situ process outlined in Section 6 will apply until 31 December 2015. After this date, the Amending Regulation will come into effect and any (re)insurance undertakings wishing to appoint an individual to the role of PCF48 HoAF must receive the Central Bank's approval in writing prior to their appointment.

8.3 If I am currently approved as a Head of Compliance (PCF12 or PCF15), Head of Internal Audit (PCF13), or Chief Risk Officer (PCF14), am I required to do anything as a result of implementation of Solvency II?

No. However on-going compliance with the F&P Standards is expected as outlined in Section 21 of the 2015 Guidance.

8.4 Can Key Functions be combined?

Yes. Key Functions may be combined with other key functions where the nature, scale and complexity of the undertaking allow. As a general rule persons carrying out the internal audit function must not assume responsibility for any other function, however, where the nature, scale and complexity of the undertaking permits and the undertaking complies with all conditions set out in Article 271 (2) of the Commission Delegated Regulation (EU) 2015/35, the internal audit function may be combined with another key function.

8.5 Can an individual hold multiple PCF roles?

In smaller and less complex undertakings it should be possible for one individual to carry out multiple PCFs. However it should be noted that the individual must display competency for each role demonstrating that the holding of such roles do not provide for conflict of interest, and must be approved by the Central Bank in respect of the performance of each PCF role.

8.6 Can (re)insurance undertakings outsource the 4 key functions required under Solvency II?

Yes with the exception of PCF 48 for high impact undertakings[7]. However, the Central Bank requires that a current PCF within the (re)insurance undertaking is designated as the person with overall responsibility for this outsourced key function. All (re)insurance undertakings are required to notify the Central Bank via their supervisory team prior to outsourcing key functions and the information provided must include the identity of this designated person as set out in Section 4.4 above. This notification process does not affect the IQ process[8] for the PCF key function holder within the service provider.

8.7 Where a key function is outsourced, what PCFs within the undertaking can be designated with responsibility for the outsourced key function?

With the exceptions of INEDs, any current PCF holder within the undertaking may be designated with overall responsibility for an outsourced key function. However undertakings should be mindful that the system of governance should be based on an appropriate and transparent allocation of oversight and management responsibilities which prevent conflicts of interest. The Central Bank expects that a PCF designated responsibility for an outsourced key function performs an oversight role only and that this individual is not involved in the day to day performance of the outsourced key function.

[7] The Domestic Actuarial Regime requires that the HoAF must be an employee for (re)insurance undertakings designated as High Impact.

[8] Where applicable – taking into account any exclusions allowed under Section 1.5 of the F&P Standards.

8.8 I have been designated with overall responsibility for an outsourced key function. What does this role entail? Am I required to submit an IQ for this role?

The individual must possess sufficient knowledge and experience regarding the outsourced key function to be able to challenge the performance and results of the service provider. The level of knowledge required would not need to be as in-depth as that of the key function holder located within the service provider. An IQ is not required to be submitted to the Central Bank for this role. However, the undertaking must identify this designated person with overall responsibility for the outsourced key function. Undertakings are requested to submit the details of this individual to their supervisory team in advance of 1 January 2016. From the 1 January 2016 this information will be submitted by the undertaking in their outsourcing notification to the Central Bank.

8.9 Where an undertaking outsources one of the four key functions of the system of governance under SII, to a regulated entity, and designates a PCF within the undertaking to oversee the outsourced key function, does this obviate the requirement for Head of function within the outsource provider to be a PCF?

Where a key function is outsourced to a regulated entity and there is a written outsourcing agreement in place, that individual is exempted from the scope of the Standards in line with Section 1.5 of the Standards, then that individual will not be required to undergo pre-approval. However, they will remain within the scope of the rest of Part 3 of the Act and may be the subject of an investigation, suspension or prohibition notice. On the other hand, if the role is outsourced to an unregulated entity, they will continue to require pre-approval and they are not exempt from the scope of the Standards, as per Section 5.3 of the 2015 Guidance.

8.10 Why has the role of the Head of Actuarial Function been introduced as a new PCF?

The Domestic Actuarial Regime requires each (re)insurance undertaking to appoint a HoAF who will have distinct responsibility for the actuarial function. Under Solvency II all (re)insurance undertakings are required to have in place an effective actuarial function and are required to notify the Central Bank of the person proposed to take responsibility for that key function. The HoAF has been introduced as a PCF in recognition of the importance of the role and responsibilities it holds, to facilitate the notification process and compliance with Solvency II requirements and the Domestic Actuarial Regime.

8.11 Why have PCF20 [Chief Actuary] and PCF44 [Signing Actuary] been removed as PCFs?

The role of the Signing Actuary ("SA") is outlined in the Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers 2014 (the "Reserving Requirements"). The SA had responsibility for signing the Statement of Actuarial Opinion ("SAO"), which provided an independent view on the adequacy of an undertaking's reserves, and for producing the report underlying the SAO. Under the Domestic Actuarial Regime the HoAF will certify the undertaking's Technical Provisions in an Actuarial Opinion on Technical Provisions ("AOTPs") to the Central Bank and produce an Actuarial Report on Technical Provisions ("ARTPs"). From 1 January 2016 the Reserving Requirements will cease to apply for all Solvency II undertakings. Therefore, it is appropriate that PCF44 is removed from this date.

The Central Bank has defined the Chief Actuary as the individual having the prime source of expertise in that area and is likely to be relied upon by senior management and the Board of Directors. The Chief Actuary role will be removed from the PCF list for all (re)insurance undertakings as the HoAF role will be the person responsible for the actuarial function which therefore makes the Chief Actuary role redundant. Therefore, it is appropriate that PCF20 is removed.

8.12 If an individual was previously pre-approved by the Central Bank as either PCF20 or PCF44, what does the removal of these PCFs mean?

The removal of the roles of **PCF20** [Chief Actuary] and **PCF44** [Signing Actuary] as PCFs means that any future appointments to these roles will not require the pre-approval of the Central Bank**.** All persons currently holding such positions will have their positions end dated as at 31 December 2015. It is likely that these roles will be designated as CF1, however it is for the undertaking to determine this.

8.13 If an individual was previously pre-approved by the Central Bank as either PCF20 or PCF44, does this mean that they can now automatically be considered to be performing the new Head of Actuarial Function role (PCF48)?

No. The Central Bank is of the view that the current PCF roles of PCF20 [Chief Actuary] and PCF44 [Signing Actuary] do not align directly to the role of the HoAF as there are responsibilities of the HoAF role which currently fall outside of the common understanding of the role of Chief Actuary and Signing Actuary. As such, the Central Bank does not propose that individuals currently performing these roles can **automatically** become the HoAF.

8.14 If a (re)insurance undertaking does not currently have an individual in the new PCF48 HoAF, is it required to create this position in order to comply with the Amending Regulation?

The Domestic Actuarial Regime requires each (re)insurance undertaking to appoint a HoAF who will have overall responsibility for the actuarial function, therefore it is required that each (re)insurance undertaking has this PCF in place.

8.15 Is it possible for an individual who is already approved as a PCF to also be appointed as the PCF48 HoAF?

Yes. As stated in 3.8 of the Fitness and Probity FAQ Document, an individual can hold multiple PCFs, but they must be approved by the Central Bank and display competence in respect to the performance of each role.

8.16 Is it possible for a PCF48 HoAF to be occupied by more than one individual?

The responsibility for the tasks called out for the actuarial function under Solvency II and the responsibilities introduced by the Domestic Actuarial Regime shall be held by one individual, i.e. the HoAF. As detailed in the Domestic Actuarial Regime requirements, while the operational activities to fulfil those responsibilities can be spread across a number of individuals the Central Bank requires there to be one individual with overall responsibility for ensuring compliance with the relevant requirements and answerable to the Board in that regard.

8.17 Where a regulated entity is a reinsurance composite, can two HoAF be appointed to reflect the undertaking's structure?

The Central Bank will deal with this on a case by case basis. Before making any application to the Central Bank via the supervisory team, the undertaking's Board must satisfy itself that this is appropriate in relation to the nature, scale and complexity of the risks inherent to the business.

8.18 Are there minimum competencies that the individual performing the role of PCF48 HoAF must possess?

See Section 5 above. The individual shall have the prerequisite level of experience commensurate with the requirements of the role and the sophistication of the methodologies and techniques appropriately employed by the (re)insurance undertaking. The HoAF must be a member of a recognised actuarial association, for example one that is a member of the Actuarial Association of Europe.

The Central Bank would expect the HoAF to have a minimum of five years relevant actuarial experience, out of the last ten years, which should be related to the areas upon which they are required to comment i.e. the requirements as set out in the Domestic Actuarial Regime and in Article 48 of the Solvency II

Directive. The experience should also be relevant to the nature of the undertaking and the type of risks underwritten.

A minimum of one year's recent experience of reserving relevant to the market in which the majority of business is written should also be required. Where the undertaking writes an exotic or specialised type of business, then the HoAF should also have a minimum of one year's experience of that product.

8.19 Is it necessary for the PCF48 HoAF to have the same level of experience for all areas of responsibility, i.e. as outlined in the Domestic Actuarial Regime and Article 48 of the Solvency II Directive?

It is not necessary for the HoAF to have the same depth of experience in each of the individual areas noted above. However, the Central Bank expects the HoAF to have sufficient experience and seniority in each of the areas noted to be in a position to perform the role and meaningfully challenge the work of others.

8.20 The Domestic Actuarial Regime requirements permit the role of the PCF48 HoAF to be outsourced. How will this operate for (re)insurance undertakings wishing to avail of this?

Apart from (re)insurance undertakings which have been designated as a High Impact undertaking, the role of HoAF may be outsourced (in High Impact undertakings the HoAF must be an direct employee of the undertaking or an employee provided through a group services company on a full-time basis). Section 5 of the Guidance on the Fitness and Probity Standards 2015 should be considered in this regard.

In addition to this, as outlined in Section 4.4 above, where the HoAF is outsourced, the (re)insurance undertaking must designate a relevant PCF holder within the undertaking with overall responsibility for the outsourced arrangement, which must be notified to the Central Bank in the notification of proposed outsourcing (which is to be prescribed by the Central Bank). This must be provided regardless of whether the (re)insurance undertaking is outsourcing to a regulated or unregulated service provider.

8.21 If a regulated financial service provider wishes to appoint an individual to the PCF48 HoAF before the effective date of the Amending Regulation of 1 January 2016, can it do so?

Yes. Individuals can be appointed to the HoAF position in line with their standard appointment process. Appointments to the HoAF with an effective start date prior to 1 January 2016 will not warrant pre-approval, and undertakings were requested to submit the details of the proposed individual to the Central Bank by the 30 November[9]. However, the (re)insurance undertaking will still

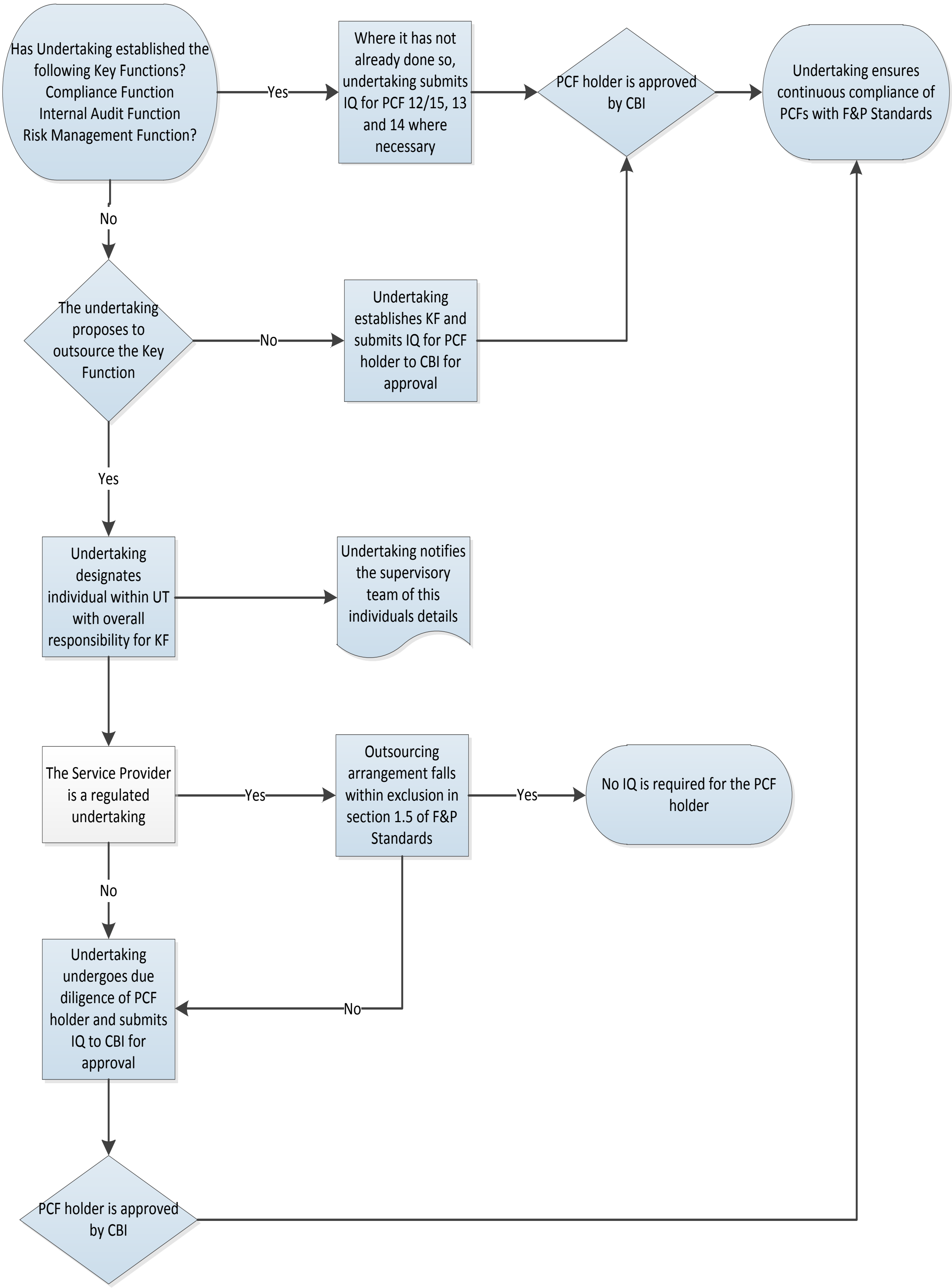
[9] As outlined in the Letter issued to industry on 9 November 2015 on the role of the Head of Actuarial Function

have to comply with its obligations in relation to conducting due diligence on the individual and ensuring they have agreed to comply with the Standards. These individuals will be considered 'in-situ' PCFs from 31 December 2015 onwards. Please refer to Section 6 above for further information.

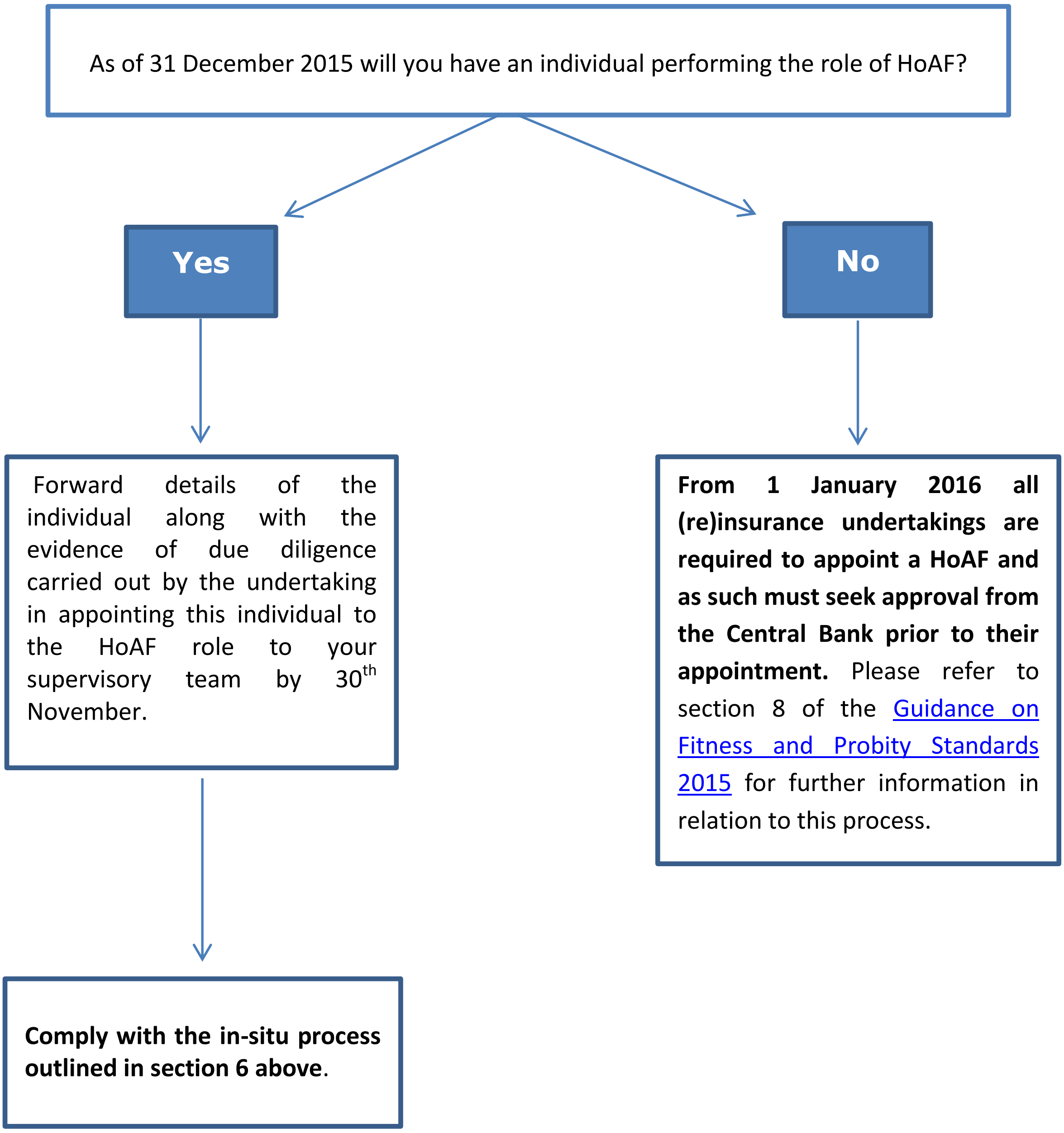
8.22 Where an undertaking proposes to appoint an individual to HoAF with an effective date after 1 January 2016, when can an IQ application be submitted?

The Amending Regulation was published by the Central Bank on 2 December 2015. As such, undertaking's wishing to appoint a HoAF, with an effective start date after 1 January, can submit their IQ applications for the proposed individual from this date.

9. Appendix 1: Decision Tree for PCF 12-15



10. Appendix 2: Decision Tree for PCF 48.



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